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GLOBAL COMMUNICATIONS LIMITED

ANNUAL REPORT

AUGUST 31, 1975

Directors and Officers

GLOBAL COMMUNICATIONS LIMITED 81 BARBER GREENE ROAD, DON MILLS, ONTARIO M3C 2A3

Directors

*I.H. Asper, Q.C., *Chairman of Executive Committee, Partner, Buchwald, Asper, Henteleff & Partners (Barristers and Solicitors)*

Leonard E. Barlow, *Senior Vice-President and Director, McLeod, Young, Weir and Company Limited (Investment Dealers)*

*Seymour Epstein, P. Eng. Cons., *President, Imagineering Limited (Broadcast Consultants)*

*J. Trevor Eyton, Q.C., *Assistant Secretary, Partner, Tory, Tory, DesLauriers and Binnington (Barristers and Solicitors)*

Leslie Halpert, C.A., *Treasurer, Vice-President, Finance and Treasurer of IWC Communications Limited*

Joseph J. MacBrien, *Vice-President, Johnston MacBrien Limited (Investment Counsel)*

*Paul Morton, *Vice-President, President and Director, Odeon-Morton Theatres Ltd. (Motion Picture Theatres) and President, CanWest Broadcasting Ltd. (CKND-TV)*

*Gurston I. Rosenfeld, *Vice-President, Corporate Development, Vice-President, Guardian Growth Financial Services Limited, Director, Guardian Capital Group Limited*

*J. Allan Slaight, *President and Chief Executive Officer of the Corporation and IWC Communications Limited*

Lloyd F. Stevens, F.C.A., *Executive Vice-President, Allpak Products Limited (Diversified Investment and Holding Company)*

Arni C. Thorsteinson, *Underwriting Associate, Richardson Securities of Canada (Investment Dealers)*

Officers

J. Allan Slaight, *President and Chief Executive Officer*

Paul Morton, *Vice-President*

Gurston I. Rosenfeld, *Vice-President, Corporate Development*

William R. Cunningham, *Vice-President, News and Public Affairs*

Peter D. Viner, *Vice-President, Marketing*

Leslie Halpert, C.A., *Treasurer*

John S. Elder, *Secretary*

K. Cameron Johnson, C. A. *Controller*

Auditors
Clarkson, Gordon & Co., Toronto, Ontario

Solicitors
Fraser & Beatty, Toronto, Ontario

Transfer Agents
Guaranty Trust Company of Canada, Toronto, Ontario

Global Communications Limited owns and operates the Global Television Network. Global Communications Limited is a constrained share corporation at least 80% of the shares of which must be beneficially owned by persons who are Canadian citizens or who are corporations controlled in Canada.

* Members of the Executive Committee

PRESIDENT'S REPORT

On behalf of your Board of Directors, I am proud to report solid improvement at Global Communications Limited. Our annual loss before extraordinary items for the year ended August 31, 1975 was reduced to $4,798,000 from $15,806,000 in the previous fiscal year. Total revenue was $8,554,000 compared to $2,917,000, while operating expenses totalled $12,135,000 compared to $18,377,000 the previous year.

The Past Year

Because of the unfortunate developments in the Spring of 1974, Global began its past fiscal year with a program schedule that was not fully competitive. In the opinion of your management, it was not until the launch of our "second season", on January 27, 1975, that Global became truly competitive in the Toronto-Hamilton marketplace, and throughout the rest of our Ontario coverage area. A substantially stronger schedule produced impressive audience ratings which vaulted Global into the front ranks with key Toronto, Buffalo and Hamilton stations. The excellent audience figures of March, 1975, were reaffirmed in a subsequent Summer survey.

Global's showing in the audience ratings restored advertiser confidence and assisted your company in registering strong revenue gains.

The Current Year

Global's strong audience ratings in the Spring and Summer of 1975 were reinforced by the major Fall viewer measurements released recently by the A. C. Nielsen Co. of Canada. Among other positive indicators, the Nielsen survey of October 27 to November 16, 1975, revealed Global ranks Number One in the entire Toronto-Hamilton market with our 6:00 p.m. News, Monday to Friday. Other significant developments from the recent Nielsen survey include:

(a) Global's average household share-of-audience from 4:00 p.m. to 11:00 p.m., Monday to Friday, in the Toronto Central Area now stands at 12%, behind CFTO (20%), and WKBW Buffalo (14%). Global is now in third place with CBLT (12%) and CHCH (12%), and in front of WBEN and WGR who both have 10%.

(b) Global ranks Number One in Toronto-Hamilton against all Canadian and Buffalo stations with 18% average household share-of-audience in the key fringe time of 5:00 p.m. to 6:00 p.m., Monday to Friday.

(c) Global is a strong Number Two at 6:30 p.m. to 7:30 p.m., Monday to Friday with 21% average household share-of-audience. CFTO ranks first with 33%, and third-place CBLT has 14%.

(d) In the important Ottawa coverage area, Global is a solid Number Two from 4:00 p.m. to 11:00 p.m., Monday to Friday, with a 21% average household share-of-audience compared to CTV affiliate CJOH (26%) and CBC affiliate CBOT (17%).

(e) Global pioneered a 10:00 p.m. News hour in Ontario, and this viewer alternative continues to show impressive growth. Its audience has more than doubled in the last year.

Certainly our News and Public Affairs Department has played an important role in establishing Global as a serious contender throughout Ontario. It is your management's intention to continue to develop strength in this area while expending more dollars on other forms of Canadian programming as our finances permit.

Your management anticipates Global will register a loss in our present fiscal year, although substantially below the loss experienced in the past fiscal year. Present indications point to a year-end figure much better than our original forecasts. Sales in the present fiscal year to date are higher than anticipated, while expenses are on budget.

The television economy in Canada "continues to be

buoyant'' according to the Television Bureau of Canada. Television Bureau of Canada President, Len Moore, foresees a revenue increase on Canadian television of 17% in calendar 1976. Management believes Global should continue to substantially exceed industry averages for the next few years.

Bill C-58

With the full support of the Canadian Radio-Television Commission (CRTC), the Federal Government is expected to guide legislation through the House of Commons and the Senate early in 1976, which will amend the Income Tax Act to deter Canadian advertisers from purchasing commercial time on U.S. border television stations. It is estimated that as much as $20,000,000 annually is allocated to U.S. border stations by Canadian advertising agencies, and approximately half of this amount directly affects the Global service area. Global should be a major beneficiary of repatriated dollars because our audience figures now equal or exceed the three major Buffalo stations in many viewing periods.

Commercial Deletion

The CRTC is currently pursuing another avenue of great significance to Global. On September 23, 1975, the CRTC announced it will require cable companies in the Toronto and Hamilton area, as a condition of licence, to delete certain commercials from signals received via cable from Buffalo television stations and present, in their place, Canadian public service announcements. This requirement of ''random deletion'', in which television operators will be allowed to select the hours and the U.S. stations where deletion is to occur, has since been expanded to other cable areas. Random deletion will undoubtedly inhibit the purchase by Canadian agencies of time on Buffalo stations because they will be unable to guarantee their clients that their commercials will actually appear at scheduled times. Rogers Cable in the Metropolitan Toronto area has been deleting commercials from Buffalo television for some time now, and other licencees in the Toronto-Hamilton area were instructed by the CRTC to report by December 31, 1975 on their plans to implement the deletion process. More recently, the Greater Toronto Cable Association has reached an agreement in principle with the broadcasters on this matter. Toronto-Hamilton cable penetration is approximately 70% and we believe commercial deletion will have a significant impact on Global revenues.

CKND-TV Winnipeg

CKND-TV signed on in Winnipeg in September, 1975, and Global and CKND have established a cooperative and sharing arrangement in which the new Winnipeg independent station utilizes material from Global News and also broadcasts certain Canadian programs originated by Global. In addition, the two companies have jointly purchased certain foreign programs.

Canadian Radio-Television Commission

We are pleased that the CRTC, on December 17, 1975, granted Global approval to broadcast slide announcements on our Cottam transmitter serving Windsor at times when a U.S. program or movie scheduled by the Global network cannot be cleared for transmission from Cottam because of its proximity to the Detroit market. This arrangement allows Global to save significant additional expenses which would otherwise be incurred in procuring alternative programs for this market, while we pursue suitable alternatives.

In conjunction with the CRTC hearing relating to the Cottam/Windsor situation, Global welcomed the opportunity to discuss its Canadian programming with the Commission. The subsequent announcement of the CRTC lauded Global's News and Public Affairs programming, but referred to certain deficiencies in

Global's other Canadian programs. Your management had earlier communicated these problems to the Commission, and has actively been working on acceptable solutions. We are confident Global can meet all CRTC requirements relating to this matter.

In Conclusion

We believe our accomplishments to date are impressive. Global has developed significant momentum, and results in the present fiscal year to date are encouraging.

We are proud of what we have attained at Global, and proud of the staff which has made it all possible.

President.

January 29, 1976.

Consolidated Statement of Operations and Deficit

GLOBAL COMMUNICATIONS LIMITED

	Year ended August 31	
	1975	1974
Revenue:		
Air time	$ 7,878,982	$ 2,459,983
Other	674,666	456,844
	8,553,648	2,916,827
Operating expenses:		
Programming, broadcasting and maintenance (including $2,901,444 in 1974 to reduce film rights to estimated net realizable value)	8,120,262	13,781,522
Administration, marketing and occupancy	3,103,056	4,076,423
Depreciation and amortization	911,288	518,846
	12,134,606	18,376,791
Interest:		
Operating bank loan	24,995	67,533
Term bank loan	617,056	244,131
1974 interest debentures	612,320	22,964
10% subordinated debentures (including, in 1974, amortization of debenture discount of $19,406)		244,930
Other	88,393	20,070
	1,342,764	599,628
Less interest income	125,862	253,689
	1,216,902	345,939
Total expenses	13,351,508	18,722,730
Loss before extraordinary items	4,797,860	15,805,903
Extraordinary items:		
Gain on settlement of claims of unsecured creditors (note 2(g))		2,676,477
Less unamortized debenture discount written off at date of refinancing		465,750
		2,210,727
Loss for the year	4,797,860	13,595,176
Deficit, beginning of year	15,684,553	2,089,377
Deficit, end of year	$20,482,413	$15,684,553
Loss per share:		
Before extraordinary items	$7.21	$23.85
Less extraordinary items		3.41
For the year	$7.21	$20.44

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet

GLOBAL COMMUNICATIONS LIMITED (Incorporated under the Canada Corporations Act)

	August 31	
ASSETS	1975	1974
Current:		
Cash held by trustee (note 2(g))		$ 224,400
Trust fund for interest payments (note 2(f)(i))		1,348,867
Accounts receivable	$ 1,406,106	795,753
Film and program rights (note 1(b))	3,569,178	2,518,071
Sundry receivables, prepaid expenses and other	62,849	193,520
	5,038,133	5,080,611
Non-current portion of film and program rights (note 1 (b))	4,544,232	1,939,467
Fixed, at cost:		
Land	143,446	143,446
Land improvements	73,287	59,833
Buildings	595,959	595,959
Transmitter, studio, mobile and technical equipment	7,897,112	7,362,086
Vehicles	20,862	20,862
Furniture and fixtures	337,609	336,669
Leasehold improvements	1,078,048	1,076,893
	10,146,323	9,595,748
Less accumulated depreciation and amortization	1,432,279	520,990
	8,714,044	9,074,758
	$18,296,409	$16,094,836

On behalf of the Board:

Allan Slaight, Director

Leslie Halpert, Director

The accompanying notes are an integral part of these financial statements.

	August 31	
LIABILITIES	**1975**	**1974**
Current:		
Bank indebtedness (note 3)	$ 652,520	$ 358,989
Accounts payable and accrued liabilities (including instalments due within one year on programming contract liabilities: 1975 — $4,663,248; 1974 — $3,337,162)	6,754,438	6,659,675
	7,406,958	7,018,664
Long-term (notes 3, 4 and 5):		
Term bank loan	5,450,000	5,400,000
Non-current instalments on programming contracts (note 1(b))	4,936,021	3,363,415
1974 interest debentures due January 15, 1983	6,900,000	1,990,000
1974 income debentures due January 15, 1998	100,000	
10% subordinated debentures due January 15, 1983	10,125,000	10,125,000
Non-interest bearing subordinated notes	608,587	630,054
	28,119,608	21,508,469
Total liabilities	35,526,566	28,527,133
Deficiency in shareholders' equity:		
Capital (note 6) —		
Authorized:		
240,000 voting preferred shares of the par value of 5¢ each		
2,000,000 common shares without par value		
Issued:		
225,000 preferred shares	11,250	11,250
665,000 common shares	3,241,006	3,241,006
	3,252,256	3,252,256
Deficit	(20,482,413)	(15,684,553)
	(17,230,157)	(12,432,297)
	$18,296,409	$16,094,836

Consolidated Statement of Changes in Financial Position

GLOBAL COMMUNICATIONS LIMITED

	Year ended August 31	
	1975	1974
Source of funds:		
Term bank loan	$ 50,000	$ 5,400,000
Increase in long-term programming contract liabilities	1,572,606	3,363,415
Issue of —		
1974 interest debentures	4,910,000	1,990,000
1974 income debentures	100,000	
Subordinated notes to unsecured creditors	(21,467)	630,054
Gain on settlement of unsecured creditors' claims		2,676,477
Release of funds held in trust		1,348,867
	6,611,139	15,408,813
Application of funds:		
Operations —		
Loss before extraordinary items	4,797,860	15,805,903
Net charges not resulting in a current outlay of funds:		
Depreciation and amortization of fixed assets	911,288	518,846
Debenture interest paid out of trust fund (net), including $19,406 amortization of debenture discount		184,134
Total funds applied to operations	3,886,572	15,102,923
Increase in non-current portion of film and program rights	2,604,765	1,939,467
Purchase of fixed assets	550,574	8,681,008
	7,041,911	25,723,398
Net decrease in working capital	(430,772)	(10,314,585)
Working capital (deficiency), as restated (note 1(b)):		
Beginning of year	(1,938,053)	8,376,532
End of year	$(2,368,825)	$(1,938,053)
Represented by:		
Current assets	$ 5,038,133	$ 5,080,611
Less current liabilities	7,406,958	7,018,664
	$(2,368,825)	$(1,938,053)

The accompanying notes are an integral part of these financial statements.

Auditors' Report

To the Shareholders of
Global Communications Limited:

We have examined the consolidated balance sheet of Global Communications Limited and its subsidiaries as at August 31, 1975 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The corporation has incurred substantial losses to August 31, 1975, and is expected to incur some additional losses before a profitable level of operations is attained. The future of the corporation will depend upon its ability to attain such profitable operations and to generate sufficient funds to meet its obligations.

In our opinion, subject to the effects, if any, on the consolidated financial statements of the ultimate resolution of the matter described in the preceding paragraph, these consolidated financial statements present fairly the financial position of the corporations as at August 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in classification of film and program rights described in note 1(b).

The consolidated financial statements for the previous year were examined by other Chartered Accountants, whose report was qualified subject to the same matter as described above.

CLARKSON, GORDON & CO.
Chartered Accountants

Toronto, Canada,
November 28, 1975.

Notes to Consolidated Financial Statements
August 31, 1975

1. Summary of accounting policies

The following summary of accounting policies of Global Communications Limited ("Global") and its subsidiary corporations is set forth to facilitate the understanding of data presented in these consolidated financial statements:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of the corporation and of its subsidiaries, all of which are wholly-owned.

(b) Film and program rights —

The corporation enters into various contracts to acquire film and programming rights. Liabilities for these rights, which are generally payable in instalments over periods of up to five years, are reflected in the consolidated balance sheet when the contracts are signed, with the related costs recorded as assets. Such costs are charged to operations over the anticipated period of broadcast use and are written off when deemed to be of no value. Costs of feature films are written off, based on a moving average of total film costs, at a rate of 30% for the first showing, and 25%, 20%, 15% and 10% for the second to fifth showings respectively. Certain film rights existing at the time of the refinancing in 1974 have been written down to estimated net realizable value.

As at August 31, 1975, the corporation adopted the policy of allocating the cost of film and program rights between current and non-current assets, based on estimated usage in the succeeding fiscal year. Such costs were previously included in entirety as current assets. This change has been given retroactive effect in the accompanying financial statements, with the result that film and program rights of $1,939,467 at August 31, 1974 have been reclassified as non-current assets (based on actual usage in the 1975 fiscal year) and working capital at that date reduced correspondingly from the amount previously reported.

(c) Depreciation and amortization —

Depreciation and amortization are provided at rates designed to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Land improvements	5%
Buildings	5%
Transmitter, studio, mobile and technical equipment	7½%-12½%
Vehicles	20%
Furniture and fixtures	10%
Leasehold improvements	4%

(d) Income taxes —

No recognition has been given in the accounts to potential future income tax savings arising from losses of the current and prior fiscal years (see note 7).

2. Reorganization, refinancing and proposal to creditors

During the year ended August 31, 1974, control of Global was transferred to a group (the "Group"), the two principal members of which are IWC Communications Limited ("IWC") and Global Ventures Western Ltd. ("Ventures"). In connection therewith, various reorganization and refinancing arrangements and a proposal to creditors relating to Global were effected, as follows:

(a) The Group obtained voting control of Global under a "Voting Trust and Option Agreement" which expires January 15, 1983.

(b) The Group obtained options expiring on January 15, 1983 to purchase 626,000 of the 665,000 issued common shares of the corporation from existing shareholders, and a further option to purchase 14,000 common shares from the corporation's treasury at $7 per share.

(c) Management control of Global was granted to IWC under a contract expiring on January 15, 1983, at an annual fee ($175,000 in fiscal 1975) which is reviewable annually.

(d) Global's line of term bank credit was restored to $6,000,000 with IWC and Ventures (as well as, in an individual capacity, two of Ventures' principals as to $750,000 each) each guaranteeing up to $1,500,000 (total $3,000,000) thereof in excess of the first $3,000,000 of such term debt.

(e) The Group agreed to purchase from the corporation, at par, up to $8,900,000 of interest debentures (the "1974 interest debentures") and $100,000 of income debentures (the "1974 income debentures"). Reference is made to notes 4(a) and 4(b) for a description of the terms thereof.

To August 31, 1975, the Group had purchased $6,900,000 of 1974 interest debentures and $100,000 of 1974 income debentures. Subsequent to August 31, 1975 and up to November 28, 1975, a further $800,000 of 1974 interest debentures was purchased. The remaining $1,200,000 of 1974 interest debentures to be purchased under the Agreement is to be issued as and when required by Global, and by a date or dates to be agreed to by Global's bankers.

The Group was also granted an option to purchase, at par, $1,000,000 principal amount of additional 1974 interest debentures, which option was not exercised and expired on August 31, 1975.

(f) The holders of the 6% convertible subordinated debentures of Global, now the 10% subordinated debentures, and of the related voting preferred shares of the corporation outstanding at the time of the refinancing, agreed to the following modifications to the terms attaching thereto:

(i) The trust fund for interest as at January 15, 1974 on the convertible subordinated debentures was released to the Corporation for its general use and the interest rate on the

debentures changed from 6% to 10% with no interest being payable for the three year period to January 15, 1977. In addition, the debentures were largely subordinated to the 1974 interest and income debentures and to the claims of certain trade creditors as more fully described in note 4(c). Further, the conversion rights attaching to the debentures were deleted and were replaced by the issue of warrants to purchase an aggregate of 225,000 common shares of the Company at $7 per share, exercisable to January 1, 1983.

(ii) The preferred shares (note 6(b)) of 1¢ par value each carrying one vote per share were consolidated on a 1 for 5 basis into 225,000 preferred shares of 5¢ par value each, also carrying one vote per share.

(g) Unsecured creditors at May 22, 1974 were given the option to receive in full and final satisfaction of their claims either:

a) 25¢ on the dollar amount of such claims payable by the corporation; or,
b) non-interest bearing subordinated instalment notes issued by the corporation for 100¢ on the dollar of their claims (see note 4(d)).

Pursuant to this proposal, the corporation paid through a Trustee $948,023 in cash (resulting in an extraordinary net gain of $2,676,477 on settlement) and issued $608,587 (reduced from $630,054 as reported at August 31, 1974 on final settlement) in subordinated notes to the balance of the unsecured creditors, before being discharged by the Court on October 7, 1975.

3. Bank indebtedness

Under the terms of its banking agreement, Global may borrow up to $6,000,000 by way of a term loan and up to $1,000,000 (increased to $2,000,000 subsequent to year-end) by way of an operating loan. The term loan bears interest at 1½% above the bank's prime lending rate to August 31, 1977 and at 2% above such rate thereafter. The operating loan ($450,000 at August 31, 1975) currently bears interest at 1/2% above the prime rate and is reviewable annually.

Subsequent to August 31, 1975 the remaining $550,000 available under the term bank loan was advanced to the corporation.

The term loan is repayable in ten quarterly instalments commencing February 29, 1976, in amounts calculated on the basis that total annual payments shall be 60% of Global's ''annual net operating cash flow'', as defined, in excess of $400,000, with the balance payable August 31, 1979.

The bank loans outstanding from time to time are secured collaterally by a $6,000,000 term debenture and a $10,000,000 operating credit debenture. Each debenture creates a fixed and floating charge on substantially all of Global's assets. The loans are also secured by an assignment of Global's book debts. As stated in note 2(d) up to $3,000,000 of the term loan in excess of the first $3,000,000 outstanding from time to time is also guaranteed, for which guarantees Global has agreed to pay the guarantors (other than Ventures) 1% per annum of the amount of the outstanding guarantees.

The agreements with the bank contain various conditions and restrictive covenants, which conditions and restrictive covenants have been met by Global as at August 31, 1975, including the requirement that Global maintain working capital, as defined, at certain levels and maintain its broadcasting licence in good standing, and that Global will not, among other things, without the consent of the bank:

(a) create additional charges on any of Global's assets, create further borrowings (other than the microwave contract described in note 8(b), net lease rental obligations of up to $600,000 per annum, and fully subordinated indebtedness maturing after August 31, 1979), or increase total liabilities (excluding borrowings and deferred income taxes) beyond agreed upon amounts; or

(b) pay dividends in excess of cumulative net earnings, or reduce or increase its share capital.

4. Debentures and non-interest bearing subordinated notes

(a) 1974 interest debentures due January 15, 1983

The 1974 interest debentures bear interest at 1.2% above the prime bank commercial rate applicable from time to time and may be prepaid in whole or in part at any time without premium, subject to prior repayment of bank indebtedness.

The interest debentures are secured by a floating charge on all of Global's assets, subject only to prior claims and security held by Global's bankers and to the claims of ordinary trade creditors (and of certain other creditors designated as such) for liabilities incurred from May 22, 1974 until May 22, 1977, and rank pari passu with $1,305,000 principal amount of the outstanding 10% subordinated debentures.

(b) 1974 income debentures due January 15, 1998

The 1974 income debentures bear interest payable out of Global's tax-paid earnings at rates reducing by one percentage point per annum from 30% in 1975 to 20% in 1985 and thereafter of the pretax earnings of Global for each immediately preceding fiscal year.

The income debentures are secured by a floating charge on all of Global's assets, subordinate to the 1974 interest debentures.

(c) 10% subordinated debentures due January 15, 1983

As described in note 2(f) the 10% subordinated debentures bear no interest from January 16, 1974 to January 15, 1977, after which time interest at 10% will be payable to maturity.

The 10% debentures carry a floating charge on the assets of Global in Ontario and are subordinate to the 1974 interest and income debentures except for $1,305,000 principal amount ranking pari passu with the 1974 interest debentures.

(d) Non-interest bearing subordinated notes

The notes are repayable in five equal annual instalments commencing January 15, 1979 but if any payments are made on the 1974 income debentures, then equal payments are to be made pro-rata to the holders of the subordinated notes to be applied against instalments due in reverse order of maturities.

The notes are unsecured and are subordinate to all other obligations and indebtedness of Global. The provisions attaching to the notes prohibit the corporation from paying dividends on its outstanding shares until all such notes have been paid or discharged.

5. Instalments of long-term liabilities due

Under the terms of existing arrangements, payments required in each of the next five years to repay long-term liabilities existing at August 31, 1975 are as follows:

	Year ending August 31				
	1976	1977	1978	1979	1980
Term bank loan*				$5,450,000	
Instalments payable on programming contracts	$4,663,248	$2,722,958	$1,408,841	755,017	$ 49,205
Non-interest bearing subordinated notes				121,717	121,717
	$4,663,248	$2,722,958	$1,408,841	$6,326,734	$170,922

*Subject to earlier repayment based on "annual net operating cash flow" — see note 3

6. Share capital

(a) Restrictions on share transfers

The Board of Directors may make such rules and regulations from time to time as it shall deem necessary or appropriate to enforce the special statutory provisions applicable to constrained share corporations as set forth or referred to in Global's charter. Under the Broadcasting Act (Canada) in effect, 80% of the shares of a corporation holding a broadcasting license must be owned by Canadians.

(b) Voting preferred shares

The voting preferred shares were issued in units with the 10% subordinated debentures and are to be purchased, at par, for cancellation upon the redemption or discharge of the related debentures.

(c) Common shares

The common shares of the corporation now outstanding and to be issued on exercise of the options and warrants described in note (d) below are subject to deposit under the terms of the Voting Trust and Option Agreement referred to in note 2(a) above.

(d) Share options and warrants

The corporation has reserved 239,000 authorized but unissued common shares for issuance, as follows:

a) To the holders of warrants to purchase shares at $7 each, exercisable to January 1, 1983 (note 2(f) (i))—225,000 shares.

b) To the Group on the exercise of options to purchase shares at $7 each at any time to January 15, 1983 (note 2(b))—14,000 shares.

7. Income taxes

At August 31, 1975 losses aggregating approximately $19,600,000 were available to carry forward for income tax purposes to be applied against such income as may be earned in future years, as follows:

Amount available	Available to apply against income earned to August 31
$11,950,000	1979
3,820,000	1980
3,830,000	indefinitely
$19,600,000	

8. Commitments

(a) Lease obligation —

The corporation's head office, network control centre and production facilities in Metropolitan Toronto have been leased on a net basis for a period of twenty-five years expiring December 31, 1998 (with options to renew for two successive five-year periods) at an annual rental of $480,000. The annual rental is to be adjusted by 50% of the cost of living index change in the tenth and the twentieth year of the lease.

(b) Microwave contract —

The corporation has also entered into an agreement to purchase microwave service for a period of ten years ending December 31, 1983 at an annual rental of $418,622 per annum.

9. Statutory information

Information with respect to the number of directors and officers of the corporation, and their remuneration is as follows:

	1975		1974	
	Number	$	Number	$
During the year:				
Directors	11	Nil	26	Nil
Officers	7	$25,000	12	$106,397
As at August 31:				
Directors	11		11	
Officers	7		5	
Number of officers who were also directors during the year	4		7	

The above does not include amounts paid or payable to corporate entities under management or employment contracts for services of officers and directors, which amounts aggregated $273,824 in the 1975 fiscal year (1974 - $107,308 for services of officers and directors at August 31, 1974, and $393,955 for services of former officers and directors).

Printed in Canada

GLOBAL COMMUNICATIONS LIMITED

Like information for the comparable period in the previous year is not shown in comparative form since that period covered less than two months of on-air operations. Nonetheless, in accordance with the requirements of The Securities Act (Ontario), we present below consolidated statements of operations and changes in financial position for the six months ended February 24, 1974.

Consolidated Statement of Operations

Sales	$ 795,741
Operating expenses	5,251,343
Depreciation and amortization	131,018
Interest expense (less interest earned of $190,496)	139,129
	5,521,490
Net loss	$4,725,749
Loss per common share (665,000)	$ 7.11

Consolidated Statement of Changes in Financial Position

APPLICATION:	
To operations—	
Net loss	$4,725,749
Less non-cash items—	
Depreciation and amortization	131,018
Debenture interest paid out of trust fund—net (including amortization of debenture discount of $25,875)	283,642
	4,311,089
Purchase of fixed assets	7,912,761
Decrease in working capital	12,223,850
Working capital, beginning of period	8,376,532
Working capital deficiency, end of period	($3,847,318)
Represented by:	
Current assets	$2,387,435
Current liabilities	6,234,753
	($3,847,318)

GLOBAL COMMUNICATIONS LIMITED

INTERIM REPORT

Six months ended February 28, 1975

GLOBAL COMMUNICATIONS LIMITED

Consolidated Statement of Operations

Six months ended February 28, 1975

(unaudited)

REVENUE	$4,380,267
EXPENSES	
Programming, broadcasting and maintenance	4,296,580
Administration, marketing and occupancy	1,618,732
Depreciation and amortization	461,733
Interest expense on bank loans and debentures (net of interest earned of $103,024)	595,329
	6,972,374
Net loss	$2,592,107
Loss per common share (665,000)	$ 3.90

GLOBAL COMMUNICATIONS LIMITED

Consolidated Statement of Changes in Financial Position

Six months ended February 28, 1975

(unaudited)

SOURCE:	
Issue of 1974 interest debentures	$3,910,000
Issue of 1974 income debentures	100,000
Promissory notes issued in lieu of current debt	10,089
Long-term programming contracts	1,294,985
	5,315,074
APPLICATION:	
To operations—	
Net loss	2,592,107
Less depreciation and amortization	461,733
	2,130,374
Purchase of fixed assets	250,675
	2,381,049
Increase in working capital	2,934,025
Working capital, beginning of period	1,414
Working capital, end of period	$2,935,439
Represented by:	
Current assets	$9,140,598
Current liabilities	6,205,159
	$2,935,439

To the Shareholders

Your company is progressing well. The loss for the six months to February 28, 1975, was $2,592,107 on revenues of $4,380,267. These results are within our original budgets and evidence your company's continuing improvement despite a somewhat troubled economy. Your management increased program and promotion costs in this last quarter in order to become more competitive in the Ontario television market with substantially higher ratings. Unfortunately, the BBM audience survey, scheduled to begin in February, was cancelled because of the recent postal strike. Your company subsequently subscribed to a survey conducted by the A. C. Neilsen Company, the results of which should be published by the end of April. We anticipate it will confirm continued audience growth.

As at February 28, our financial position continued strong with $1,475,000 in deposit receipts, $1,600,000 in unused bank loans, and $3,000,000 in further debenture purchase commitments from the IWC/Global Ventures Western group.

The financial results for the period ending February 24, 1974, are shown in order to comply with legal requirements of The Securities Act (Ontario). They were prepared by the previous management and are not directly comparable to the results in the financial statements for the six months to February 28, 1975, as they cover less than two months of on-air operations.

ALLAN SLAIGHT
President

April 11, 1975